

Message Text

LIMITED OFFICIAL USE

PAGE 01 GENEVA 10831 01 OF 03 150226Z
ACTION EB-08

INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-10
OIC-02 /168 W

-----034530 150323Z /73

R 141006Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 2052

LIMITED OFFICIAL USE SECTION 01 OF 03 GENEVA 10831

PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT, CA
SUBJECT: GATT ARTICLE XXVIII NEGOTIATIONS WITH CANADA
ON FRUITS AND VEGETABLES

REF: (A) GENEVA 9924, (B) STATE 168290

1. SUMMARY: AT SECOND ROUND OF NEGOTIATIONS CANDEL
OFFERED MARGINAL CHANGES IN DUTY INCREASES ON SEVERAL
U.S. SENSITIVE ITEMS AND SLIGHT ADDITIONAL COMPENSATION
IF U.S. WOULD AGREE TO CANADIAN MTN PROPOSAL FOR HARMONI-
ZATION OF POTATO DUTIES. USDEL SAID CANADIAN OFFER FELL
FAR SHORT OF U.S. REQUIREMENTS AND TABLED "BOTTOM LINE
PROPOSAL" FOR SETTLEMENT OF NEGOTIATION INVOLVING MODIFI-
CATIONS OF PROPOSED ACTIONS ON SEVEN SENSITIVE ITEMS AND
FIVE OTHER ITEMS, ALL CONCESSIONS INCLUDED IN ORIGINAL
CANADIAN PACKAGE PROPOSAL, AND COMPENSATORY CONCESSIONS
ON SIX OTHER ITEMS. USDEL SAID CANADIAN ACCEPTANCE COULD
BE CONTINGENT ON A MUTUALLY ACCEPTABLE MTN POTATO DEAL
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PAGE 02 GENEVA 10831 01 OF 03 150226Z

BUT WARNED THAT REJECTION WOULD LEAD TO COMPENSATORY
WITHDRAWALS. INITIAL CANADIAN REACTION WAS NEGATIVE,
BUT CANDEL PREFERRED TO LET ISSUE PERCOLATE BEFORE PRO-
VIDING FORMAL REPLY. NO DATE SET FOR NEXT ROUND. END
SUMMARY.

2. U.S. AND CANADIAN DELEGATIONS MET IN GENEVA JULY 10

AND 11 FOR SECOND ROUND OF SUBJECT NEGOTIATIONS. GIFFORD (CANADIAN MTN DEL) HEADED CANADIAN SIDE, BUT TRANT (AGRICULTURE), LOOMER (FINANCE) AND, ON SECOND DAY, AMB. GREY PARTICIPATED ACTIVELY IN DISCUSSION. STEWART (STR) CHAIRED USDEL COMPOSED OF SINDELAR, COOK AND HEIMPEL (ALL USDA) WITH PARTICIPATION OF STARKEY (STR), KOPP (STATE) AND LAVOREL (U.S. MISSION).

3. USDEL OPENED ROUND BY RECALLING JUNE 29 DISCUSSION AND AGAIN ASKING WHAT ACTION GOC WOULD BE WILLING TO TAKE ON SENSITIVE ITEMS IF U.S. AND CANADA COULD REACH MUTUALLY SATISFACTORY MTN DEAL ON POTATOES. AFTER UNSUCCESSFULLY PRESSING USDEL FOR USG THINKING ON OUTLINES OF POTATO DEAL, CANDEL REPLIED THAT IF CANADIAN HARMONIZATION PROPOSAL WERE ACCEPTED, GOC WOULD BE WILLING TO: (A) REDUCE PROPOSED DUTY ON CANNED FRUIT MIX (10607-1) FROM 15 TO 12.5 PERCENT, (B) REDUCE PROPOSED DUTIES ON STRAWBERRIES FOR PROCESSING (EX 10704-1) FROM 5 CENTS/LB (BUT NOT LESS THAN 17.5 PERCENT) TO 3.5 CENTS/LB (BUT NOT LESS THAN 15 PERCENT) AND ON STRAWBERRIES, NOP (EX 10704-1) FROM 20 PERCENT TO 15 PERCENT, (C) REDUCE PROPOSED DUTY ON FRESH SWEET CHERRIES, NOP (EX 9203-1) FROM 5 CENTS/LB (BUT NOT LESS THAN 12.5 PERCENT) IN A 10-WEEK DUTY PERIOD TO 3.5 CENTS/LB (BUT NOT LESS THAN 10 PERCENT) IN A NINE-WEEK DUTY PERIOD WITH A FREE RATE FOR THE REMAINDER OF THE YEAR IN BOTH CASES, AND (D) MAKE AN UNSPECIFIED REDUCTION IN PROPOSED DUTY ON LETTUCE (8715-1).
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PAGE 03 GENEVA 10831 01 OF 03 150226Z

CANDEL ALSO MADE FOLLOWING ADDITIONAL COMPENSATORY OFFERS:

(A) GRAPEFRUIT JUICE (15206-1): REDUCE FROM FIVE PERCENT TO THREE PERCENT, (B) BLENDED ORANGE AND GRAPEFRUIT JUICE (15207-1): REDUCE FROM FIVE PERCENT TO THREE PERCENT, (C) CURRANTS (9950-1): REDUCE FROM TWO CENTS/LB TO FREE, AND (D) FROZEN SPINACH (EX 9004-1): REDUCE FROM 17.5 PERCENT TO FREE. USDEL COMMENTED INFORMALLY THAT CANADIAN PROPOSAL APPEARED TO FALL FAR SHORT OF ACTION REQUIRED ON SENSITIVE ITEMS BUT PROMISED A FORMAL REPLY ON FOLLOWING DAY.

4. WHEN TWO DELEGATIONS MET JULY 11, USDEL PRESENTED WHAT IT DESCRIBED AS "BOTTOM LINE PROPOSAL" (CLEARED WITH AGENCY REPRESENTATIVES IN GENEVA) FOR SETTLEMENT OF NEGOTIATIONS. USDEL NOTED THAT BOTH SIDES WERE AGREED ON POLITICAL SENSITIVITY OF NEGOTIATIONS IN U.S. AND CANADA AND ON UNFORTUNATE IMPLICATIONS FAILURE TO REACH AGREEMENT WOULD HAVE FOR MTN. WHILE MOST ARTICLE XXVIII NEGOTIATIONS WERE LEISURELY AFFAIRS, NEITHER SIDE COULD AFFORD THAT LUXURY IN THIS CASE DUE TO MTN LINKAGE. FOR THIS REASON U.S. WAS PUTTING FORWARD COMPROMISE SOLUTION, BALANCED ECONOMICALLY AND POLITICALLY, WITH FOLLOWING

ELEMENTS:

A. CANADA WOULD MAKE FOLLOWING MODIFICATIONS IN PROPOSED ACTIONS ON SENSITIVE ITEMS:

(1) FRESH ASPARAGUS (8702-1): REDUCE DUTY PERIOD FROM 14 TO SIX WEEKS.

(2) CANNED FRUIT MIX (10607-1): MAINTAIN EIGHT PERCENT A.V.E. OF PRESENT DUTY.

(3) TOMATO PASTE (8905-2): MAINTAIN FIVE PERCENT A.V.E. OF PRESENT DUTY.

(4) FROZEN STRAWBERRIES (EX 10704-1): ESTABLISH LIMITED OFFICIAL USE

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PAGE 04 GENEVA 10831 01 OF 03 150226Z

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PAGE 01 GENEVA 10831 02 OF 03 150237Z
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INFO OCT-01 IO-13 ISO-00 STRE-00 AF-10 ARA-10 EA-10
EUR-12 NEA-10 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15 STR-07
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15
OIC-02 /168 W

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LIMITED OFFICIAL USE SECTION 02 OF 03 GENEVA 10831

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DUTY OF TWO CENTS/LB NET WEIGHT (BUT NOT LESS THAN SIX PERCENT). (1975-77 A.V.E.: 5.5 PERCENT.)

(5) LETTUCE (8715-1): REDUCE PROPOSED DUTY PERIOD

FROM 20 TO 12 WEEKS.

(6) FRESH SWEET CHERRIES (9203-1): CONFIRM OFFER OF 3.5 CENTS/LB (BUT NOT LESS THAN 10 PERCENT) BUT REDUCE PROPOSED DUTY PERIOD FROM 10 WEEKS TO CURRENT SEVEN WEEKS.

(7) FRESH PEARS (9206-1): AMEND PROPOSED RATE IN DUTY PERIOD TO 12.5 PERCENT AND SHORTEN PROPOSED DUTY PERIOD FROM 26 WEEKS TO 22 WEEKS.

B. CANADA WOULD ALSO MAKE FOLLOWING MODIFICATIONS IN PROPOSED DUTY CHANGES ON OTHER PRODUCTS:

(1) CABBAGE (8706-1): REDUCE DUTY PERIOD FROM LIMITED OFFICIAL USE

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PAGE 02 GENEVA 10831 02 OF 03 150237Z

PROPOSED 34 WEEKS TO 26 WEEKS.

(2) CELERY (8709-1): REDUCE DUTY PERIOD FROM PROPOSED 24 WEEKS TO 12 WEEKS.

(3) ONIONS, NOP (8717-1): REDUCE DUTY PERIOD FROM 46 WEEKS TO 38 WEEKS.

(4) TOMATOES (8724-1): REDUCE DUTY PERIOD FROM 32 WEEKS TO 24 WEEKS.

(5) RADISHES (8729-1): ELIMINATE PROPOSED PRE-PACKAGING DUTY.

C. CANADA WOULD GRANT FOLLOWING COMPENSATORY CONCESSIONS (CURRENT RATES IN PARENTHESES):

(1) RAISINS (9915-1): FREE (1.5 CENTS/LB.)

(2) GRAPEFRUIT JUICE (15206-1): FREE (FIVE PERCENT)

(3) BLENDED ORANGE AND GRAPEFRUIT JUICE (15207-1): FREE (FIVE PERCENT).

(4) PRUNE JUICE (71105-1): FREE (FIVE PERCENT).

(5) FROZEN SPINACH (EX 9004-1): FREE (17.5 PERCENT).

(6) PEAS, NOP, AND LENTILS (4800-1): FREE (0.75 CENTS/LB.)

D. AS BALANCE OF COMPENSATION OWED FOR REMAINING TARIFF INCREASES ABOVE GATT-BOUND LEVELS, U.S. WOULD

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PAGE 03 GENEVA 10831 02 OF 03 150237Z

THEN ACCEPT THE DECREASES BELOW GATT-BOUND LEVELS INCLUDED IN ORIGINAL CANADIAN PACKAGE PROPOSAL.

5. IN PRESENTING PROPOSAL USDEL POINTED OUT THAT U.S. WAS NOT ASKING FOR MODIFICATIONS ON CANNED PEACHES, CANNED TOMATOES, AND CANNED CORN. FIRST TWO WERE EXCLUDED BECAUSE U.S. APPRECIATED THEIR EXTREME POLITICAL SENSITIVITY IN CANADA, BUT FOR ANALAGOUS REASON U.S. INSISTED ON STANDSTILL FOR FRUIT MIX AND TOMATO PASTE TO LESSEN IMPACT ON U.S. CANNING PEACH AND TOMATO INDUSTRIES. USDEL ALSO RECOGNIZED IMPORTANCE OF POTATO ISSUE IN CANADA AND OFFERED TO PERMIT CANADIAN ACCEPTANCE OF PROPOSAL CONTINGENT ON A MUTUALLY ACCEPTABLE AGREEMENT REGARDING U.S. AND CANADIAN DUTIES ON FRESH POTATOES IN MTN. HOWEVER, FAILURE TO ACCEPT PROPOSAL WOULD FORCE U.S. TO WITHDRAW CONCESSIONS INITIALLY NEGOTIATED WITH CANADA TO RESTORE BALANCE OF CONCESSIONS IF CANADA INSTITUTED PROPOSED INCREASES ABOVE GATT-BOUND RATES.

6. INITIAL CANADIAN REACTION WAS NEGATIVE. GREY TESTILY ASSERTED THAT U.S. PROPOSAL "WOULD NOT FLY," THAT IT WOULD ONLY SUCCEED IN ANGERING MINISTERS AND THAT NEGOTIATIONS SHOULD BE "PUT ON SHELF" UNTIL AFTER SUMMIT SINCE U.S. PROPOSAL DID NOT PROVIDE SATISFACTORY BASIS FOR DISCUSSION. HE EVENTUALLY PROMISED THAT CANADIANS WOULD STUDY PROPOSAL, BUT SESSION ADJOURNED WITHOUT SETTING DATE FOR FUTURE MEETING.

7. IN TELEPHONE CONVERSATION JULY 12, GIFFORD TOLD STEWART THAT CANADIANS WOULD PREFER TO "LET MATTERS PERCOLATE" BEFORE RESUMING NEGOTIATIONS. STEWART NOTED U.S. UNDERSTANDING THAT BALL WAS IN CANADIAN COURT AND ASKED GIFFORD TO ADVISE MISSION WHEN CANDEL WISHED TO MEET AGAIN.

8. COMMENT: (A) USDEL PREPARED FOLLOWING ANALYSIS ON LIMITED OFFICIAL USE

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PAGE 04 GENEVA 10831 02 OF 03 150237Z

TRADE-AFFECTED BASIS OF JULY 11 PROPOSAL (BUT DID NOT SUPPLY COPY TO CANADIANS):

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PAGE 01 GENEVA 10831 03 OF 03 150237Z

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INFO OCT-01 IO-13 ISO-00 STRE-00 AF-10 ARA-10 EA-10

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LIMITED OFFICIAL USE SECTION 03 OF 03 GENEVA 10831

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ORIGINAL TRADE IMPAIRED: C\$123,506

ESTIMATED REDUCTION OF IMPAIRMENT

ON SENSITIVE ITEMS UNDER U.S. PROPOSAL -33,872

ESTIMATED REDUCTION OF IMPAIRMENT (OR

NET BENEFIT) ON OTHER 5 ITEMS UNDER

U.S. PROPOSAL -13,475

COMPENSATORY CONCESSIONS REQUESTED BY U.S. -18,518

ALREADY ACCEPTED COMPENSATION INCLUDED IN

ORIGINAL CANADIAN PACKAGE PROPOSAL -33,382

BALANCE TO BE COVERED BY OTHER

COMPENSATION INCLUDED IN ORIGINAL CANADIAN

PACKAGE PROPOSAL (TOTAL TRADE VALUE:

C\$51,193) C\$ 24,259

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PAGE 02 GENEVA 10831 03 OF 03 150237Z

(B) USDEL BELIEVES THAT PROPOSAL COULD HAVE SERVED AS
BASIS FOR SETTLEMENT THIS WEEK IF SUFFICIENT MOMENTUM

HAD DEVELOPED IN MTN. IN ABSENCE OF PROSPECTIVE MTN SETTLEMENT CANADIANS OBVIOUSLY DID NOT FEEL PRESSURE TO MAKE HARD DECISIONS NECESSARY TO CONCLUDE A DEAL. THEY PROBABLY ALSO RECOGNIZED THAT ACCESSION TO U.S. REQUESTS WOULD BE DIFFICULT TO PRESENT TO CANADIAN AGRICULTURAL INTERESTS IN ABSENCE OF CONCURRENT U.S. MTN CONCESSIONS. USDEL RECOMMENDS, THEREFORE, THAT WE TAKE NO FURTHER ACTION AT THIS TIME AND WAIT FOR CANADIAN INITIATIVE. VANDEN HEUVEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NEGOTIATIONS, FRUITS, VEGETABLES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
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Disposition History: n/a
Disposition Reason:
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Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780760/aaaabyno.tel
Line Count: 341
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 17139e73-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Reference: 78 GENEVA 9924, 78 STATE 168290
Retention: 0
Review Action: RELEASED, APPROVED
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